



# LEFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

## Statutory Report

For the fiscal year ended June 30, 2017

**Cindy Byrd, CPA**  
State Auditor & Inspector

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | [www.sai.ok.gov](http://www.sai.ok.gov)

January 28, 2019

**TO THE BOARD OF DIRECTORS OF THE  
LeFLORE EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of LeFlore County Emergency Medical Service District for the fiscal year ended June 30, 2017.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017**

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 1,450,755
Collections	
Ad Valorem Tax	725,599
Charges for Services	2,843,745
Miscellaneous	36,580
Interest	1,431
Subscriptions	4,050
Total Collections	<u>3,611,405</u>
Disbursements	
Personal Services	2,103,972
Travel	9,302
Maintenance and Operations	903,183
Capital Outlay	382,139
Insurance	445,240
Legal	1,650
Audit Expense	15,417
Total Disbursements	<u>3,860,903</u>
Ending Cash Balance, June 30	<u>\$ 1,201,257</u>

*Source: District Estimate of Needs (presented for informational purposes)*

LeFlore County Emergency Medical Service District  
P.O. Box 1025  
Poteau, Oklahoma 74953

**TO THE BOARD OF DIRECTORS OF THE  
LEFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- Determined that receipts were properly deposited and accurately reported in the accounting records.
- Determined cash balances were accurately reported in the accounting records.
- Determined whether deposits and invested funds were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1 and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined whether the District's collections, disbursements, and cash balances for FY 2017 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the LeFlore County Emergency Medical Service District.

Our emergency medical service district statutory engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of the LeFlore County Emergency Medical Service District.

Based on our procedures performed, we have presented our findings in the accompanying schedule.



This report is intended for the information and use of the management of the LeFlore County Emergency Medical Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

November 15, 2018

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2017-001 – Inadequate Internal Controls and Noncompliance Over Board Meeting Agendas and Minutes (Repeat Finding)**

**Condition:** Upon review of the LeFlore County Emergency Medical Service District (the District) Board meeting agendas and minutes, the following weaknesses were noted:

- In eight (8) instances, the Board entered executive session to discuss matters concerning personnel issues within the District; including the following dates, October 17, 2016, November 21, 2016, January 17, 2017, March 20, 2017, March 28, 2017, April 24, 2017, May 12, 2017, and May 15, 2017. In each instance, the name of the employee or position was mentioned in the agenda and minutes of the regular Board meeting.
- While minutes of an executive session are not public, the Board is required to record the proceedings of these executive sessions and to maintain those minutes in a sealed envelope in a secure location.
  - In two (2) instances, the secretary was asked to leave the executive session meeting when the Board entered executive session, thus documentation of these executive session meetings could not be located.

**Cause of Condition:** Policies and procedures have been designed but not adequately implemented to ensure that all relevant discussions in the District Board minutes are properly documented in accordance with state statutes pertaining to the Open Meeting Act and Open Records Act.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes related to the Open Meeting Act and Open Records Act and could result in inadequate documentation of the Board’s decisions. Additionally, the District Board violated the District Bylaws which state, “*executive director or the secretary may write the minutes which will then be sealed in a separate envelope marked ‘confidential’ and filed separately from the regular minutes*”.

**Recommendation:** The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District maintain minutes for all Board meetings to ensure compliance with the Open Meetings Act as it applies to executive sessions and Open Records Act and as stated in the District Bylaws.

**Management Response:**

**Chairman of the Board:** All Executive Sessions have been recorded and stored since July 1, 2017.

**Criteria:** Accountability and stewardship are overall goals of the District Board in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper documentation of the Board meetings.

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

Title 25 O.S. § 307 states in part:

E. No public body may go into an executive session unless the following procedures are strictly complied with:

1. The proposed executive session is noted on the agenda as provided in Section 311 of this title;
2. The executive session is authorized by a majority vote of a quorum of the members present and the vote is a recorded vote;

F. A willful violation of the provisions of this section shall:

1. Subject each member of the public body to criminal sanctions as provided in Section 314 of this title; and
2. ***Cause the minutes and all other records of the executive session, including tape recordings, to be immediately made public.***

Title 25 O.S. § 312.A states, “The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.”

Title 51 O.S. § 24A.5 states in part, “All records of public bodies and public officials shall be open to any person for inspection, copying, or mechanical reproduction during regular business hours; provided:

1. The Oklahoma Open Records Act, Sections 24A.1 through 24A.30 of this title, does not apply to records specifically required by law to be kept confidential including:
  - a. records protected by a state evidentiary privilege such as the attorney-client privilege, the work product immunity from discovery and the identity of informer privileges,
  - b. ***records of what transpired during meetings of a public body lawfully closed to the public such as executive sessions authorized under the Oklahoma Open Meeting Act.***

**Finding 2017-002 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)**

**Condition:** While gaining an understanding of the receipting, depositing, and reconciling functions of the District, the following weaknesses were noted:

- There was no evidence documented that bank reconciliations for the general operating account and tax account were reviewed and approved by someone other than the preparer.
- The tax account bank balance was not maintained on the District’s general ledger.
- There was no evidence to document the amount deposited was verified to the receipts issued for each deposit date tested.



**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure all bank accounts are reconciled, approved by someone other than the preparer, accurately presented on the general ledger, and deposits are verified to receipts issued.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, execution of transactions, including verification of bank reconciliations, the amount deposited to the receipts issued, and inadequate documentation of the tax account could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends all bank accounts are maintained on the general ledger and reconciled monthly. Any variances or discrepancies should be researched immediately and be corrected in a timely manner. Additionally, OSAI recommends the District ensure bank reconciliations and deposit of funds be reviewed and approved by someone other than the preparer.

**Management Response:**

**Chairman of the Board:** Two Board members now sign all bank reconciliations. There is also now a report to balance the receipt book with the deposits that is also signed by the Director.

**Criteria:** Accountability and stewardship are overall goals of the District Board in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of the reconciliations should be segregated. Further, good internal controls would include proper monitoring and reviews for accuracy of financial information, including documentation of all bank accounts and verification of deposits.

**Finding 2017-004 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** While gaining an understanding of the disbursement process of the District, and the test of forty (40) purchase orders, the following exceptions were noted:

A lack of segregation of duties exists in that the accounting clerk performs the following duties:

- Prepares purchase orders,
- Verifies the packing list to the invoice,
- Prepares checks,
- Signs checks,
- Remits checks to vendors,
- Maintains the financial registers,
- Performs the monthly bank reconciliations, and
- Maintains the blank checks in an unlocked file cabinet located in the District office.

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Two (2) disbursements tested did not have proper supporting documentation attached to the claim.

Purchase Order	Warrant Number	Payee	Amount	Date Paid	Resolution
1003	2164	Former Director	\$6,864.06	05/17/17	04/24/17

- Upon his resignation, the former Director requested payment of accrued vacation leave and the Board approved a payment of the maximum hours of accrued vacation leave allowed by District policy.
- The former Director did not submit documentation to the Board of accrued vacation leave.
- The former Director did not submit timesheets for payroll documenting daily hours worked, nor were leave balances maintained with beginning, accrued, used, and ending balances.
- Management has responded in past audits that based on legal advice from the "Board Attorney", *"the District will not require the Director to submit timesheets"*.
- According to the regular meeting Board minutes of April 25, 2017, the Board went into executive session to discuss the payment of the former Director's accrued vacation leave balance and voted to approve the payment in the regular meeting.
- Documentation of this executive session could not be located.

Purchase Order	Warrant Number	Payee	Amount	Date Paid	Resolution
1088	2433	Current Director	\$3,000.00	06/12/17	06/19/17

The District paid the new Director \$3,000.00 for "moving costs" as approved in the Board minutes of May 15, 2017. These minutes stated,

*"to pay new director \$3,000 flat rate on June 12, 2017 for moving cost. Carter stated, "that only documentation need for payment was copy of the minutes to be attached to the PO".*

- Evidence of the moving cost such as invoices, was not documented with the purchase order.
- There was no evidence of a receiving signature/verification of accuracy of the invoice or signed receiving report for goods or services performed.

Additionally, this disbursement would not be considered an expense for the lawful operation of the District, as follows:

- The District and the new Director did not enter into an employment contract allowing this disbursement as part of his compensation.
- The payment for moving cost could be considered a taxable fringe benefit to the employee but was not included as part of the new Director's compensation for 2017.

The following disbursement tested did not appear to be for the lawful operation of the District:

Purchase Order	Warrant Number	Payee	Amount	Date Paid	Resolution
868	1924	Former Director	\$201.06	04/06/17	04/17/17

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

- This Board approved a reimbursement to the former Director for meals for employee orientation.
- The District did not have a policy regarding meals for employee orientation or the gratuity included in the receipt for the meals.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the disbursement process and safeguard the assets of the District. Additionally, policies and procedures have not been designed and implemented to ensure disbursements are filed with sufficient supporting documentation, taxes are paid on compensation, and incurred only for the lawful operation of the District.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Additionally, the payments of accrued vacation leave and moving costs, without proper supporting documentation, and reimbursement of meal expenses resulted in noncompliance with state statute and noncompliance with District policy.

**Recommendation:** OSAI recommends the District Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in District Board's oversight of office operations and a periodic review of operations. OSAI recommends the District Board provide segregation of duties so that no one employee can perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions. Additionally, OSAI recommends the District ensure that all disbursements have proper supporting documentation, including payment of taxes, and are for the lawful operation of the District in accordance with 19 O.S. § 1710.1(A).

**Management Response:**

**Chairman of the Board:** The current Director has management review and approve all disbursements to address these concerns. The current Director and all employees now keep accurate timesheets and accrual. Any future payments for accrued leave will be properly supported. In the future any "moving" cost shall be applied to employee compensation and be listed as a benefit to be taxed. Disbursements made will be reviewed prior to approval to ensure they are for the lawful operation of the District.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds. Effective internal controls include key functions within a process be adequately segregated to allow prevention and detection of errors and abuse. Key factors in this system are having proper approval of all purchases and ensuring disbursements are only incurred in accordance with state statute and are not a violation of the District's policy.

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

Title 19 O.S. § 1710.1(A) states, “A. Any proceeds collected pursuant to the provisions of Section 9C of Article X of the Oklahoma Constitution shall only be expended for the purpose of providing funds for the support, organization, operation and maintenance of district ambulance services, known as emergency medical service districts.”

**Finding 2017-005 – Inadequate Internal Controls and Noncompliance with the Competitive Bid Process (Repeat Finding)**

**Condition:** Based on inquiry of District staff and observation of the competitive bidding process for the District, the following exceptions were noted:

- Evidence of the District soliciting bids prior to purchasing accounting software was not present.
- Two (2) disbursements for accounting software were made to a vendor totaling, \$16,115.00.

<b>Purchase Order</b>	<b>Check Number</b>	<b>Purpose</b>	<b>Amount</b>	<b>Date Paid</b>
337	721	Implementation of new accounting software with training	\$5,000.00	10/27/16
449	974	software with a one-year subscription period	\$11,115.00	12/07/16

Further, the accounting software was not utilized by the District.

**Cause of Condition:** Policies and procedures have been designed; however, not adequately implemented to ensure that equipment and information technology and telecommunication goods and services purchases which exceed \$15,000.00 be competitively bid in compliance with state statutes.

**Effect of Condition:** This condition resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends the Board follow state statutes requiring purchases of equipment and information technology and telecommunication goods and services in excess of \$15,000.00 be competitively bid in accordance with 19 O.S. § 1723 as outlined by 19 O.S. § 1505.

Additionally, the following internal control procedures should be documented when soliciting, selecting, and approving bids for equipment and information technology and telecommunication goods and services of \$15,000.00 or more.

- Evidence of proof of publication of the bid specifications in the newspaper.
- Evidence of the Board approval of awarding the bid documented in the Board minutes.
- Evidence of sealed bids presented to the Board for consideration.
- Evidence of the bids should be time and date stamped when received.

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**Management Response:**

**Chairman of the Board:** Going forward even proprietary software contracts above the amount of \$15,000 will be put out for competitive bid.

**Criteria:** Accountability and stewardship are overall goals of the District Board in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives regarding reliability of financial reporting and compliance with applicable laws and regulations.

Title 19 O.S. § 1723 requires Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1505, which requires purchases of equipment and information technology and telecommunication goods and services in excess of \$15,000 be competitively bid.

**Finding 2017-006 – Inadequate Internal Controls Over the Payroll Process (Including Timesheets and Leave Reports) (Repeat Finding)**

**Condition:** While gaining an understanding of the payroll process of the District, we noted the payroll clerk performed the following duties:

- Verified timesheets to the crew work schedule,
- Input payroll information into the accounting system,
- Prepared the employee retirement reports and state and federal tax reports,
- Processed payroll, and
- Prepared the direct deposit.

A test of forty-nine (49) employee payroll records, personnel files, leave documentation, and timesheets, reflected the following exceptions:

- One (1) employee submitted a handwritten timesheet that was not signed by the employee or approved by the supervisor.
- Three (3) employees' vacation and sick leave accrual records were not in compliance with the District's policy.
  - One (1) employee's vacation leave accrual record reflected vacation leave accrued was more than the District policy limitation by thirty-two (32) hours.
  - One (1) employee's vacation leave accrual record reflected vacation leave accrued was more than the District's policy limitation by sixty-two (62) hours.
  - One (1) employee accrued vacation leave and sick leave prior to the completion of a ninety (90) day probationary period as provided in the District's policy.
- Four (4) employees' supporting documentation of withholdings was not located in the personnel files as follows:
  - Two (2) employees' secondary direct deposit forms,
  - One (1) employee's Oklahoma Public Employees Retirement System (OPERS) withholdings form, and
  - One (1) employee's Form W-4.

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

---

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate segregation of duties regarding the payroll process, or to verify that vacation and sick leave is accrued according to this District Policy. Additionally, policies and procedures have not been designed and implemented to ensure personnel files are permanently maintained with documentation of payroll withholdings.

**Effect of Condition:** These conditions resulted in the inaccurate recordkeeping and incorrect accrual of wage and leave benefits. Further, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends the District Board be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

OSAI also recommends the District adhere to the policies and procedures designed by the District for payroll and leave balances. Additionally, OSAI recommends the District ensure that the employee personnel files are properly maintained with documentation of withholdings.

**Management Response:**

**Chairman of the Board:** Due to staffing changes and limited personnel, pertinent duties have been performed by one individual. The current Director has management review and approve all payroll disbursements to address these concerns. The current Director will ensure timesheets and accruals are reviewed and approved by the employee and their supervisor. Payroll accruals will be periodically reviewed by management to determine accrued leave complies with the District's policy. Employees' withholding documentation will be verified to their personnel files prior to making any payroll changes.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated. Additionally, an important aspect of internal controls is to ensure timekeeping and leave records are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.



**OFFICE OF THE STATE AUDITOR & INSPECTOR**  
2300 N. LINCOLN BOULEVARD, ROOM 123  
OKLAHOMA CITY, OK 73105-4896

[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)